This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 PANAMA 001184

SIPDIS

SENSITIVE

DEPARTMENT FOR WHA/CEN
SOUTHCOM ALSO FOR POLAD
VANCOUVER FOR CG ARREAGA

E.O. 12958: N/A
TAGS: ECON PGOV PM PREL POLITICS FOREIGN POLICY
SUBJECT: PANAMA'S CSS REFORM PACKAGE PASSES WITH MINOR
CHANGES

SUMMARY

¶1. (SBU) On May 31, nine minutes before midnight, Panama's
National Assembly passed President Martin Torrijos's Social
Security (CSS) reform package with a vote of 43-30. All 43
Democratic Revolutionary Party (PRD) legislators voted in
favor, while the opposition presented a united front against
the reforms. The National Assembly debated the 180 article
package, first submitted to committee on May 18, in two
marathon rounds over the last week, during which 142 minor
modifications were adopted. Multiple demonstrations
continued today. Labor groups today mounted a last-ditch
effort to push Torrijos not to formally approve the package,
which he did just before noon. Business organizations
continue to express concern that the reforms do not present a
lasting solution to the sustainability of CSS, while labor
groups argue that changes such as an increase in retirement
age place too heavy a burden on workers. The PRD, which has
an absolute majority in the Assembly, came under fire from
the opposition for pushing this package through the Assembly
with only a brief consultation period. (Note: The previous
administration, under President Mireya Moscoso of the
Panamenista Party, did nothing to address CSS reform. End
Note.) With fiscal reforms and CSS reforms out of the way,
the next major item on the Torrijos administration's agenda
is the referendum on Canal expansion, set for late 2005 or
early 2006. End Summary.

The Package

¶2. (U) The reform proposal has no big surprises for the
Panamanian work force, but it also redistributes more funds
to retirement, illness and maternity programs; modernizes the
procurement system; makes contributions mandatory; and
revises disability pension eligibility and the system for
electing the board of directors. The package includes an
increase in retirement age from 57 to 60 for women and from
62 to 65 for men; an increase in mandatory enrollment from 15
to 20 years; greater state contributions in general and
special funds for &workers at risk8 (construction, banana,
and coffee workers); an increase in monthly payments for both
employers and employees; mandatory enrollment of all workers;
and improved asset management. Privatization is not
contemplated. The reforms would be introduced gradually over
the next ten years.

¶3. (U) Although the actuarial studies have not been released,
CSS Director Rene Luciani estimates the system is financially
viable until 2035. (Note: According to press reports, some
private actuaries claim the system will face another
financial crisis in 2015 and be bankrupt by 2028. The
current system would have gone bankrupt in seven years. End
Note.)

¶4. (U) Torrijos was willing to make minor concessions for
those close to retirement. He accepted a "proportional"
distribution of pensions to those who have already met the
current 180 month quota, but for reasons of age, will retire
after the new laws take effect but before they have met the
240 month quota. By 2015 the retirement quota will be set at
300 months. Torrijos also dropped the proposed retirement
age for women from 62 to 60.

The Critics

¶5. (SBU) To counter allegations by labor unions that the
package is insupportable for the added burdens it places on
laborers, the GOP has released item-by-item explanations of
how elements in the package take into account the concerns of
labor in major news papers. Business organizations such as
the Association of Business Executives (APEDE) and CSS board
members have expressed concern over the lack of statistical
projections presented by the GOP, that the reforms are
nothing more than a temporary resolution, and that provisions
such as the removal of a mandate to submit a yearly report to
the CSS board would give too much autonomy to the CSS
Director General. National Council of Private Business
(CoNEP) president Guillermo Villarreal announced that CoNEP,

an umbrella business organization, would not support the
reforms, and SUNTRACS, teachers, and CSS medical
professionals have actively demonstrated against the package.
 The Federation in Defense of Social Security united labor
groups normally at odds with one another in their common
rejection of the reforms.

¶5. (SBU) COMMENT: Ultimately, the effect of the fast-action
reform package has been to not only demonstrate the PRD's
resolve and outward unity, but to briefly unify disparate
opposition political parties, labor organizations, and the
business community. Union opposition to the reforms was
inflexible, and would have been demonstrated regardless of
the proposed reforms. The two Popular Party legislators who
were on board with the PRD reform package at the outset of
the debates also voted against the package in the final
round. However, despite the Torrijos administration's
somewhat heavy-handedness in pushing the reforms through the
Assembly, Torrijos deserves major credit for tackling a
politically unpopular task. In addition, Panama's National
Police, who invested huge amounts of time and effort into
preparation for demonstrations, deserve praise for
maintaining law and order. End Comment.

WATT